

**Public Employees' Retirement Board  
Employee Investment Advisory Council**

100 North Park Avenue, Room 201

Helena MT 59601

MINUTES

Thursday October 17, 2013

1:00 pm – 4:00 pm

**Call to Order:**

Ms. Patricia Davis called the meeting to order at 1:00 p.m.

**EIAC/Board Roll Call**

**Council Members in Attendance:**

Patricia Davis, Tom Schneider, Barbara Wagner, Paul Spengler, James Helgeson, Ed Dawes

**Council Members Excused:**

Amy Barry, Rande Muffick, Jim Penner

**MPERB Members in Attendance:**

Terry Smith- via telephone

Sheena Wilson

Bob Bugni

Randy Morris

**Members of the Public:**

Michael Schlachter – Wilshire Associates

Margaret Volpe-Rodgers- Nationwide

Melanie Symons- MPERA

**Public/Member Comment** on any subject of interest to the EIAC/Board not on the agenda

There was no public comment.

Kate Talley from MPERA discussed why having a quorum is important to counsel proceedings. In order for the committee to take any action, there must be at least seven members voting.

There is no proxy allowed and according to the bylaws, the vacant positions still count towards the quorum.

### **Approval of EIAC Meeting Minutes – July 17, 2013**

Approval of meeting minutes will be moved to the January 16, 2014 meeting

### **IV. Fund Performance Review – Michael Schlachter, CFA, Wilshire Associates**

#### **A. Numbers in Context**

Michael Schlachter provided information on the current state of the economy as reported in the numbers in context presentation.

#### **B. 457(b)**

Michael Schlachter gave an update on 457(b) Funds.

The Columbia Fund is in the process of being replaced, and the Neuberger Berman Genesis Fund is on probation.

The Asset Allocation doesn't currently show any large changes, but there are a few small ones. Fixed Income and Stable Value have shown a little bit of progress and are down about four percentage points. Target dates are up over 1%, almost double over the last year.

Randy Morris asked for clarification about the number of participants in each of the funds. Mr. Schlachter reviewed the Asset Allocation charts on page 3 of the presentation.

The 3- and 5-year performance for the Neuberger High Income Bond has been underperforming the index, even though they have high Morningstar Ratings.

An audience member posed a question regarding implementing Index Funds if any change is recommended. Mr. Schlachter's response is that the asset classes determine if doing so is the best course of action.

Paul Spengler posed the question about managers providing value to the high yield and who Wilshire would recommend as a manager. Mr. Schlachter explained the different types of managers.

Mr. Schlachter reviewed the charts on pages 6 and 7 of the presentation. The Munder Mid-Cap fund has been on and off probation. It was on probation from 2009 through the first quarter of 2012 and has been off probation since then. Wilshire will continue to monitor this fund.

The Columbia Mid-Cap Value fund has been terminated.

The Neuberger Berman Genesis fund was put on probation a quarter ago.

**C. 401(a)**

None of these funds are on probation or marked for termination, all are in retention status.

Terry Smith posed a question regarding the default being the balance or the Target Date Funds. Patricia Davis responded that it is the Target Date.

If any changes or recommendations are made they would apply to both the 457 and the 401 for the Munder Mid-Cap Core Growth fund.

The Target Small Capitalization Value was the first fund recommended by Wilshire.

Mr. Schlachter reviewed the charts in the Numbers in Context presentation, pages 29 through 33.

**V. Discussion regarding the Vanguard Total Bond Index Fund – Michael Schlachter, CFA, Wilshire Associates**

Mr. Schlachter provided the committee with information on the Vanguard Total Bond Index Fund, raising several questions about the value of the fund in the current option line-up. Mr. Schlachter indicated that potentially in the Bond Fund market it may be better to avoid index funds in favor of actively managed funds.

**VI. Vacant EIAC positions – Patricia Davis**

No candidates have been offered to replace Pam Fleisner. The replacement must be current with a School District.

Steve Johnson offered suggestions for his replacement. All candidates happen to be in or near Helena and the concern is that there wouldn't be enough diversification throughout the state.

Two possible candidates to replace Steve Johnson are from Lewis & Clark County and one is from Gallatin County.

Barb Wegner presented the question about whether the EIAC members that have to travel can get a stipend as well as travel expenses. Tom Schneider and Terry Smith have discussed this possibility in the past but so far there is none.

Randy Morris, Tom Schneider and Ed Dawes all have other candidates in mind.

## **VII. Stable Value Update- Patricia Davis**

Patricia Davis gave an update on the Stable Value Fund. The fund's structure changes were implemented on October 1, 2013. We are still redesigning the investment fund table and should have it done by the end of October.

PIMCO can start looking for addition WRAP providers now that we have a cash buffer and the accounting structure changed.

The Transamerica contract has been renewed.

The PIMCO contract has been extended for two years.

If we decide we want to be in the Stable Value market we have to do an RFP in two years for an investment manager.

Barb Wegner posed a question about whether or not we want Stable Value in our future, what type and if after those decisions are made what we are going to do with the RFP. Patricia Davis responded that the Board (MPERB) will make the decision on where to go with Stable Value.

## **VIII. Recordkeeper RFP Update – Patricia Davis**

The Recordkeeper RFP was posted October 1, 2013. Amy Berry is the EIAC representative and Sheena Wilson is representing the retirement Board.

Tom Schneider would like a copy of the RFP and the EIAC members were given a link to view it.

## **IX. Review Goals established last January – Patricia Davis**

This will be discussed at the January 2014 meeting.

## **4:00 p.m. PROJECTED ADJOURNMENT**

Patricia Davis adjourned at approximately 3:20pm.

Next meeting: January 16, 2014